

Supplemental Information

Air Resources Board Workshop ZEV Regulatory Status of Multi-Manufacturer Arrangements

**Board Hearing Room
Air Resources Board
2020 L Street
Sacramento, California 95814**

**March 30, 2000
9:30-3:00**

As outlined in the workshop notice, there is ambiguity regarding how the ZEV requirement should apply in multi-manufacturer arrangements.

Traditionally, each auto manufacturer's ZEV responsibility in a multi-manufacturer arrangement has been based on whether or not a particular manufacturer is operationally independent. This policy has been applied even in some 100% ownership situations. There are issues associated with this method of determining a manufacturer's ZEV responsibilities:

1. **"Operational independence" is ambiguous.** The term "operational independence" is not defined in ARB's regulations. As a result, this term is poorly understood, subject to each party's interpretation, and difficult to validate in any reliable or simple manner.
2. **This method may result in unequal treatment.** This is especially a concern in 100% ownership or merger situations. In such situations, the merged entity may have the combined resources of two or more manufacturers, yet it may have less stringent ZEV responsibilities than other manufacturers its size.

The current method has also demanded large amounts of ARB staff time in determining a manufacturer's eligibility to be considered "operationally independent" in each new situation that has arisen. To make it clearer and more predictable for auto manufacturers to determine their ZEV responsibilities, ARB staff would like to streamline and simplify the process of determining manufacturer ZEV responsibilities in multi-manufacturer arrangements by moving away from the above method. Rather than trying to develop a catchall definition of "operational independence," ARB staff is considering implementing clear sales aggregation requirements for various multi-manufacturer arrangement situations regardless of how operations are structured within a particular arrangement.

In ARB's LEV II rulemaking in 1998, ARB incorporated U.S. EPA's Compliance Assurance Program, CAP2000, in its certification and in-use compliance procedures. The ARB staff would like to discuss the applicability of the CAP2000 sales aggregation provisions, beginning in MY2006, to all

manufacturers involved in multi-manufacturer arrangements in determining their ZEV responsibilities. This would mean that each large, intermediate, or small volume manufacturer's ZEV responsibility would be based on the aggregated sales of all manufacturers in any of the following situations:

- i) where one firm holds a 10% or greater equity interest in another,
- ii) where two or more firms are each 10% or greater owned by a third party,
- iii) where the firms have one or more common corporate officers who are responsible for the overall direction of the companies, or
- iv) where the firms import or distribute vehicles manufactured by the same entity and the importers or distributors are authorized agents of the entity.

All interested parties are invited to comment on the above scenario and to suggest alternatives.

To encourage open discussion, interaction, and brainstorming, the format of this workshop will be informal. It is ARB staff's hope that by working alongside the auto manufacturers and other interested parties, a simple and effective method of clarifying ZEV responsibilities in multi-manufacturer arrangements will be developed.